

Message Text

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ORIGIN NEA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 EB-07 SS-15

NSC-05 PM-03 SP-02 OES-03 PRS-01 CIAE-00 INR-07

NSAE-00 IO-10 SAM-01 /094 R

DRAFTED BY NEA/AFN:WSWEISLOGEL
APPROVED BY NEA/ AFN: MWWILEY
EB/FSE:LBUTCHER

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R 252152Z MAR 75
FM SECSTATE WASHDC
TO AMEMBASSY TEHRAN
AMEMBASSY JIDDA
AMEMBASSY CARACAS
AMEMBASSY BRASILIA
AMEMBASSY NEW DELHI
AMEMBASSY KINSHASA
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY TRIPOLI
AMEMBASSY DOHA
AMEMBASSY ABU DHABI
AMEMBASSY LAGOS
AMEMBASSY JAKARTA
AMEMBASSY LIBREVILLE
AMEMBASSY QUITO
AMEMBASSY KUWAIT
AMEMBASSY BEIRUT

S E C R E T STATE 067440

E.O. 11652: GDS
TAGS: ENRG, AG
SUBJECT: HOST GOVERNMENT POSITIONS FOR A CONSUMER/PRODUCER
CONFERENCE
REF: STATE 58837

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1. FOLLOWING IS NEARLY COMPLETE RESPONSE FROM AMEMBASSY
ALGIERS TO REFTEL.
2. PROCEDURAL ISSUES

A. BILATERAL OR TRILATERAL CONFERENCE: TERM TRILATERAL BEING USED DIFFERENTLY BY DIFFERENT PEOPLE. WHILE ALGERIANS ORIGINALLY SAID THEY FAVORED IT WHAT THEY MEANT WAS THAT THEY WANT BILATERAL CONFERENCE WITH OPEC AND LDC CONSUMERS ON ONE SIDE OF TABLE AGAINST DCS ON OTHER.

B. ATTENDANCE: ALGERIANS THINK OPEC AND LDC REPRESENTATION SHOULD BE ENLARGED. THEY HAVE RELUCTANTLY GONE ALONG WITH SAUDI PROPOSAL ON LDC CONSUMER REPRESENTATION (INDIA, ZAIRE AND BRAZIL) BUT THINK SLATE IS TOO CONSERVATIVE. THEY WILL LOBBY STRONGLY FOR MORE RADICAL LDC REPRESENTATION AT FOLLOW-UP CONFERENCE. ON OPEC REPRESENTATION THEY MAY LOBBY FOR INCLUSION NIGERIA AND IRAQ. ALTHOUGH ALGERIANS HAVE DESCRIBED FORMATION OF IEA AS HOSTILE ACT THEY PROBABLY WILL NOT BALK AT OBSERVER STATUS FOR THAT

ORGANIZATION. ALGERIANS HAVE SAID (ABDESSELAM'S SPEECH TO OPEC PREPARATORY MEETING) THAT UN WOULD BE THE MOST APPROPRIATE FORUM FOR DISCUSSING PROBLEMS IN QUESTION AND THEY PRESUMABLY WOULD WELCOME SOME SORT UN PARTICIPATION. IF SECOND PREPARATORY CONFERENCE IS HELD, AS ALGERIANS HAVE INDICATED THEY CONSIDERING BECAUSE OF THEIR DISSATISFACTION OVER AGENDA, SCOPE AND LINEUP AT THIS ONE, WE HEAR THEY ARE THINKING IN TERMS OF 24 COUNTRIES: 8 DC, 8 LDC, 8 OPEC.

C. FORMAT: BRITISH, WHO HAVE JUST DISCUSSED QUESTION WITH ALGERIANS, SAY LATTER SEEM TO HAVE GIVEN LITTLE OR NO THOUGHT TO THIS. ALGERIAN POSITION HAS BEEN THAT ONCE DECISION TAKEN ON AGENDA, FORMAT WILL TAKE CARE OF ITSELF. WOULD BE SURPRISED, HOWEVER, IF THEY DO NOT HAVE FIXED POSITION IN THIS REGARD BY TIME PREPARATORY CONFERENCE OPENS.

D. LOCATION: WE HAVE NO INDICATION ALGERIAN DESIRES IN THIS REGARD BUT ASSUME THEY WOULD PREFER FRANCOPHONE
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CAPITAL AND WOULD NOT BE SURPRISED TO HAVE THEM PUT FORWARD ALGIERS AS APPROPRIATE SITE.

E. CHAIRMANSHIP: WE HAVE NO INDICATION AT THIS POINT OF ALGERIAN PREFERENCES IN THIS REGARD BUT CAN BE SURE THEY WILL WANT A PROMINENT ROLE IN CONFERENCE OPERATION. THEY WOULD PROBABLY BE AMENABLE TO SELECTION OF BONA FIDE NEUTRAL, SUCH AS UN SECRETARY GENERAL, AS CHAIRMAN BUT DOUBT THEY WOULD ACCEPT ANY DCS.

F. DATE: WE PRESUME REFERENCE IS TO FOLLOW-UP CONFERENCE. WE HAVE NO INDICATION ALGERIAN DESIRES. PRESUME THEY WOULD PREFER SOONER RATHER THAN LATER AND ARE LIKELY TO

BE RESTIVE UNDER A TIME-CONSUMING PREPARATORY SCHEDULE.

3. CONSUMER ISSUES

A. WORLD OIL/ENERGY SITUATION: AS ALGERIANS HAVE MADE MATTER OF RECORD ON FREQUENT OCCASIONS, THEY REGARD OIL AND ENERGY PROBLEM AS ONLY ONE ASPECT OF MUCH LARGER PROBLEMS OF RAW MATERIALS IN GENERAL AND OF CONTEST BETWEEN DEVELOPING COUNTRIES AND LDCS.

B. ECONOMIC DEVELOPMENT OF AND INVESTMENT IN PRODUCER-COUNTRIES: ALGERIANS DO NOT LIKE CONCEPT OF FOREIGN INVESTMENT IN LDCS SINCE IT GIVES CAPITALISTS STAKE AND INFLUENCE IN LDC ECONOMIES. THEY ARE MORE INTERESTED IN CAPITAL AND TECHNICAL TRANSFERS. THEY HAVE THEIR OWN AMBITIOUS DEVELOPMENT PLAN AND HAVE VERY SPECIFIC

IDEAS AS TO WHAT DEVELOPED WORLD CAN CONTRIBUTE TO IT. THEY ARE PARTICULARLY INTERESTED IN EASY CREDIT AND NEED DOLLARS 2 BILLION WORTH THIS YEAR.

C. ECONOMIC DEVELOPMENT OF AND INVESTMENT IN LDCS: AS FAR AS ALGERIANS CONCERNED "INVESTMENT" SHOULD BE CHANGED TO "AID TO". THEY HAVE COMPLAINTS REGARDING THE LEVEL AND NATURE OF DEVELOPMENT AID TO THE LDCS INCLUDING ALGERIA. THIS IS SPELLED OUT IN SOME DETAIL IN MEMORANDUM DISTRIBUTED AT OPEC SUMMIT AND REFERRED TO IN OUR 621 (UNFORTUNATELY WE HAVE NO COPY OF MEMO). IN PARTICULAR
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THEY COMPLAIN OF THE INADEQUACY OF CONTRACTURAL GUARANTEES I.E., ON PERFORMANCE BY FOREIGN CONTRACTORS, AND OF THE NEED FOR A NEW LEGAL FRAMEWORK GOVERNING CONTRACTUAL RELATIONS BETWEEN LDCS AND FOREIGN GOVERNMENTS AND CORPORATIONS. THEY APPEAR TO HAVE IN MIND FOREIGN GOVERNMENTS TAKING RESPONSIBILITY FOR THE PERFORMANCE OF THEIR CONTRACTORS.

D. SHORT-TERM FINANCIAL FLOWS: WE ARE NOT SURE WHAT IEA HAS IN MIND IN THIS RESPECT. IF IT IS QUESTION OF CURRENCY TRANSACTIONS BY OIL PRODUCERS, ALGERIA WHICH IS USING ALL OF ITS OIL RESERVES FOR PURCHASE INDUSTRIAL AND RAW MATERIALS ABROAD AND HAS NONE FOR INVESTMENT OR SPECULATION, IS PRESUMABLY NOT INVOLVED. BOUMEDIENE IN SPEECH TO OPEC CONFERENCE REPORTED OUR 586 SPOKE OF POSSIBILITY EMERGENCY GRANTS TO LDCS PRESUMABLY COMING FROM OPEC FUNDS.

E. LONGER-TERM INVESTMENT IN INDUSTRIALIZED CONSUMER COUNTRIES: ALGERIA HAS NO FUNDS FOR THIS. IT WILL PROBABLY ARGUE THAT CHARITY BEGINS AT HOME AND SAUDIS AND IRANIANS SHOULD USE THEIR SURPLUSES FIRST TO HELP

VARIOUS DEVELOPMENT PLANS OF DESERVING BROTHERS SUCH AS ALGERIANS. THEY HAVE EXPRESSED INTEREST IN TRILATERAL RECYCLING, WITH SAUDI OR IRANIAN MONEY COMING IN UNDER GUARANTEE OF U.S. OR EUROPEAN BANK.

F. SECURITY OF SUPPLIES AND OF OIL MARKETS: ALGERIANS HAVE EXPRESSED READINESS TO COOPERATE WITH REGARD SECURITY OF SUPPLIES. THEY WOULD ALSO LIKE UNDERTAKING REGARDING SECURITY OF MARKETS SINCE THEY ARE PARTICULARLY VULNERABLE TO MARKET FLUCTUATIONS.

G. OIL PRICES: MINISTER INDUSTRY AND ENERGY ABDESSELAM PROPOSED TO OPEC PRELIMINARY CONFERENCE ON JANUARY 24 A FREEZE ON OIL PRICES IN 1975, INDEXATION IN 1976-77 BASED ON UNSPECIFIED FACTORS AND APPLIED AT A RATE OF 80 TO 90 PERCENT, AND COMPLETE INDEXATION BY 1980. PRESIDENT BOUMEDIENE'S REFERENCE IN OPEC OPENING SPEECH TO ALGERIA'S WILLINGNESS TO FREEZE PRICES OR EVEN TO LOWER THEM AS THE CIRCUMSTANCES REQUIRED SHOULD BE READ AS FOLLOW-UP TO THE SECRET

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ABDESSELAM PROPOSAL. WHAT BOUMEDIENE APPARENTLY HAD IN MIND WAS THAT IN EXCHANGE FOR DC PERFORMANCE ON INDEXATION AND REORDERING OF THE WORLD ECONOMY ALGERIANS WOULD BE PREPARED TO GIVE CONCESSIONS ON PRICES. OFFER THEREFORE HIGHLY CONDITIONAL.

H. DEVELOPMENT OF ENERGY RESOURCES: ALGERIANS ARE AGREED IN PRINCIPLE ON NEED TO DEVELOP ALTERNATE SOURCES OF ENERGY BUT HAVE REGARDED OUR PROPOSED FLOOR PRICE WITH SUSPICION AS SIMPLE ATTACK ON OPEC PRICES. THERE IS POSSIBILITY ALGERIANS WOULD BE INTERESTED IF FLOOR PRICE WERE HIGH ENOUGH.

I. POSSIBLE ARRANGEMENT FOR FUTURE CONSULTATIONS: FOR ALGERIA THIS CONFERENCE IS ONLY ONE SKIRMISH, ALBEIT IMPORTANT ONE, IN LONG-RANGE CONTINUING BATTLE TO REORGANIZE WORLD ECONOMY. ALGERIAN INTEREST IN FUTURE CONSULTATIONS ON THIS TRACK WILL BE DETERMINED BY OUTCOME PRELIMINARY CONFERENCE. SEE BELOW.

4. ADDITIONAL ISSUES THAT MAY BE RAISED BY PRODUCERS AND/OR LDCS.

A. STABILIZATION OF RAW MATERIALS PRICES AT HIGH LEVELS: ALGERIANS ARE IN FOREFRONT OF THOSE ARGUING FOR IMPROVEMENT AND STABILIZATION OF TERMS OF TRADE FOR LDCS. THEY WILL ARGUE IN TERMS OF HISTORIC INJUSTICES PERPETRATED BY COLONIALISM AND NEO-COLONIALISM.

B. INDEXATION OF THE PRICES OF OIL AND OTHER COMMODITIES: ALGERIANS WERE EARLY PROPONENTS OF CONCEPT OF INDEXATION

AND CAN BE COUNTED ON TO PUSH IT STRONGLY.

C. GUARANTEED MARKETS FOR SPECIFIED QUANTITIES OF EXPORTS:
THIS IS ALSO PART OF ALGERIAN CONCEPT OF REORDERING
WORLD ECONOMY.

D. ELIMINATION OF CONFRONTATIONAL POSTURING: ALGERIANS
UNSUCCESSFULLY SOUGHT HAVE LAST OPEC CONFERENCE CONDEMN
U.S. THREATS AGAINST OIL PRODUCERS. WE ARE TOLD THAT BY
END OF CONFERENCE THEY WERE NO LONGER SERIOUSLY PUSHING
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IDEA BUT IT REMAINS A RECURRING THEME IN ALGERIAN
PROPAGANDA AND WE WOULD NOT BE SURPRISED TO SEE THEM
RAISE IT AGAIN IN PARIS. WE SUGGEST BEST WAY OF DEALING
WITH IT IS TO REFRAIN FROM ANY FURTHER OFFICIAL
SPECULATION ON THE SUBJECT AND TO TREAT MATTER AS DEAD
ISSUE. CONFRONTATION POSTURING, HOWEVER, IS STANDARD

ALGERIAN TACTIC AND THEY WILL PRESUMABLY PUSH IT AS LONG
AS IT APPEARS PROFITABLE TO FORCE CONCESSIONS AND
RECOGNITION OF THEIR LEADERSHIP.

E. EXPLOITATION OF THIRD WORLD BY INDUSTRIALIZED
COUNTRIES: ALGERIANS OF COURSE ARE NUMBER ONE PROPONENT
NEW WORLD ORDER. THEY ARE VERY SERIOUS ABOUT IT AND VERY
EFFECTIVE IN PROMOTING IT. WE HAVE INDICATED TO DEPT.
OUR BELIEF WE SHOULD BE DEVOTING MORE ATTENTION TO DEALING
WITH ALGERIAN CAMPAIGN. IN PARTICULAR ALGERIANS FEEL
STRONGLY THAT NEW WORLD ORDER IS THE PRIMARY BUSINESS OF
THE FOLLOW-UP CONFERENCE. (WOULD BE USEFUL HAVE SOME
AGREED TERMINOLOGY HERE. PRELIMINARY CONFERENCE IS CLEAR
ENOUGH BUT WHAT DO WE CALL THE ONE THAT FOLLOWS IT? TERM
FINAL IMPLIES FOLLOW-UP CONFERENCE WILL BE LAST. DO NOT
BELIEVE THAT REALISTIC.) BRITISH HAVE IMPRESSION THAT IF
ALGERIANS DO NOT GET THEIR WAY ON THIS ISSUE THEY WILL
LEAVE THE CONFERENCE. ON REFLECTION, WE THINK THAT WOULD
BE UNCHARACTERISTIC OF THEM. THEY ARE LIKELY TO STAY AND
FIGHT IT OUT IN SPOILER ROLE.

F. REFORM OF THE INTERNATIONAL MONETARY SYSTEM: AGAIN
THIS IS SOMETHING FOR WHICH ALGERIANS HAVE BEEN PUSHING.
THEY REGARD OUR RECENT ACTIONS WITH REGARD TO GOLD AS A
PLOT AGAINST OIL PRODUCERS AND ARE DEEPLY CONCERNED BY
DECLINING VALUE OF DOLLAR IN WORLD MARKETS, WHICH
DIRECTLY AFFECTS THEIR DEVELOPMENT EXPENDITURES.

G. CONSERVATION OF PETROLEUM RESOURCES TO OPTIMIZE
THEIR USE: ALGERIANS ARE COMMITTED TO THIS IN THEORY
BUT IN PRINCIPLE ARE INTERESTED IN SELLING THEIR RESOURCES
AT A MAXIMUM RATE IN ORDER TO ADVANCE THEIR DEVELOPMENT
PLAN.

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H. EXPECTATIONS AND GENERAL STRATEGY FOR THE PREPARATORY MEETING AND FINAL CONFERENCE: ALGERIANS WILL MAKE EVERY POSSIBLE EFFORT TO ORGANIZE SOLID FRONT OF OPEC AND LDCS. THEIR MAIN EFFORT AT PREPARATORY CONFERENCE WILL BE DIRECTED TOWARD AGENDA AND COMPOSITION FOR FOLLOWING CONFERENCE. TO ALGERIANS AGENDA IS IMPORTANT SUBSTANTIVE ISSUE AND IN THEIR VIEW QUESTIONS OF RAW MATERIALS OTHER THAN PETROLEUM AND OF NEW WORLD ORDER TAKE PRECEDENCE OVER THE QUESTION OF PETROLEUM AND ENERGY. ALGERIANS WILL FIELD FIRST TEAM AND WILL WANT PLAY MAJOR ROLE IN ALL ASPECTS OF CONFERENCE. SOME MEMBERS OF DELEGATION MAY BE APPROACHABLE, PARTICULARLY BELAID ABDESSELAM, MINISTER OF INDUSTRY AND ENERGY WHO, WE ASSUME, WILL HEAD DELEGATION. ALGERIANS ARE SENSITIVE AND PROUD HOWEVER AND WILL REACT VIGOROUSLY AGAINST

CONDESCENSION OR IMPLICATIONS THEY SECOND RATE POWER. WE WILL GIVE MORE SPECIFIC READING REGARDING APPROACHABILITY WHEN COMPOSITION DELEGATION KNOWN.

5. THERE ARE SEVERAL DOCUMENTS WHICH WE RECOMMEND MEMBERS OF DEPARTMENT NEGOTIATING TEAM SHOULD BE FAMILIAR WITH. THESE ARE MINISTRY OF INDUSTRY AND ENERGY ABDESSELAM'S STATEMENT OF JANUARY 24 REPORTED IN OUR 271, OPENING SPEECH AT ALGIERS OPEC SUMMIT BY PRESIDENT BOUMEDIENE AND MEMORANDA SUBMITTED TO OPEC SUMMIT AND REPORTED IN SUMMARY IN OUR 621. WHILE ALGERIANS MAY ADD REFINEMENTS TO POSITIONS SET FORTH IN THESE DOCUMENTS, THEY AT LEAST ESTABLISH BASE LINE FROM WHICH ALGERIAN POSITIONS ARE LIKELY TO SPRING. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN POLICY POSITION, MEETINGS, IMPORTERS, EXPORTERS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchandr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE067440
Document Source: ADS
Document Unique ID: 00
Drafter: NEA/AFN:WSWEISLOGEL
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750105-0751
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750399/baaaagvv.tel
Line Count: 308
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchandr
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAY 2003 by ElyME>; APPROVED <08 OCT 2003 by buchandr>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ENRG, AG
To: TEHRAN
JIDDA
CARACAS
BRASILIA
NEW DELHI
KINSHASA

PARIS
OECD PARIS
TRIPOLI
DOHA
ABU DHABI
LAGOS
JAKARTA
LIBREVILLE
QUITO
KUWAIT
BEIRUT

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006